GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:203
ANSWERED ON:12.12.2008
STATE FINANCIAL CORPORATIONS
Manoj Dr. K.S.

Will the Minister of FINANCE be pleased to state:

(a) the objectives behind the setting up of the State Financial Corporations (SFCs);

(b) whether the package for restructuring the liabilities of SFCs has been worked out by the Union Government in association with Small Industries Development Bank of India (SIDBI), State Governments and the SFCs; and

(c) if so, the details of SFCs benefited therefrom?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAW AN KUMAR BANSAL)

(a), (b) & (c): A statement is laid on the Table of the Lok Sabha.

Statement placed on the Table of Lok Sabha in reply to Parts (a) to (c) of Lok Sab ha Starred Question No.2O3 for answer on 12th December, 2008 regarding `State Financial Corporations`` tabled by Dr. K.S. Manoj.MP.

(a): State Financial Corporations (SFCs) were set up under the State Financial Corporations Act, 1951 with the prime objective of providing medium and long term credit to small and medium scale industries.

(b) & (c): GOT in consultation with SIDBI had formulated a restructuring package for SFCs in August 2003.The effective implementation of these relief and concessions necessitated commensurate measures by State Governments and SFCs. The salient features of the package were:

(i) Interest on all outstanding loans of SFCs would be reduced by 2%.

(ii) A rebate of 2% in rate of interest would be provided by SIDBI for all future refinance.

(iii) A moratorium of one year should be given for repayment of existing dues.

(iv) To defer payment of all interest by SIDBI,on SIDBI bonds, amounting to Rs. 174 crore per annum for a period of 10 years.

In addition, SFCs were advised to bring down their NPAs to less than 10% and to also downsize.

In line with the above package announced by the GOI, 11 SFCs [in Andhra Pradesh (APSFC), Delhi (DFC), Haryana (HFC), Himaehai Pradesh (HPFC), Kerala (KFC), Kamataka (KSFC), Madhya Pradesh (MPFC), Rajasthan (RFC): Tamil Nadu (TIIC), Uttar Pradesh (UPFC) and West Bengal (WBFC) entered into tripartite agreement with SIDBI and the respective State Governments.